

# AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Colon Township</b>	County <b>St Joseph</b>
Audit Date <b>3/31/2005</b>	Opinion Date <b>1/30/2006</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Richard L. Baldemann, CPA</b>			
Street Address <b>1197 Wild Cherry Drive</b>	City <b>Williamston</b>	State <b>MI</b>	ZIP <b>48895</b>
Accountant Signature <i>Richard L. Baldemann</i>			

# Colon Township

*St. Joseph County*

*March 31, 2005*

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# *Colon Township*

*132 N Blackstone Ave., PO Box 608  
Colon, Michigan 49040-0608*

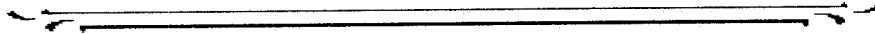
## **TOWNSHIP BOARD MEMBERS**

**SUPERVISOR**  
Frank Fisher

**CLERK**  
Diane McKelvey

**TREASURER**  
Beth Adams

**TRUSTEES**  
Barry Parrish  
Ernie Stauffer



## **TOWNSHIP LIBRARY BOARD MEMBERS**

Eva Schaurer – President  
Kathy Adams – Secretary  
Joanne Bagley

Jason Wagner - Vice-President  
Marilyn Miller - Treasurer  
Kelli Poortenga

Patti A. Miller, Library Director

Richard L. Baldermann

Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

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## INDEPENDENT AUDITOR'S REPORT

January 30, 2006

Colon Township Board  
132 N. Blackstone Ave  
PO Box 608  
Colon, MI 49040-0608

Dear Board Members:

I have audited the accompanying basic financial statements of Colon Township as of March 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Colon Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Colon Township as of March 31, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The required supplemental information, budgetary comparison schedules, and combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Richard L. Baldermann, CPA

Colon Township  
Government Wide Statement of Net Assets  
March 31, 2005

Exhibit 1

	Primary Government	
	Governmental Type Activities	Primary Government Total
<b>Assets</b>		
<b>Current Assets</b>		
Cash (Note 4)	\$ 1,270,957	\$ 1,270,957
Taxes Receivable-Delinquent	36,333	36,333
Due From State	22,999	22,999
Due From Village	69,225	69,225
Due from Agency Funds	147,410	147,410
Receivables-Net	1,803	1,803
<b>Total Current Assets</b>	<b>1,548,726</b>	<b>1,548,726</b>
<b>Noncurrent Assets</b>		
Capital assets-Net (Note 6)	911,282	911,282
<b>Total assets</b>	<b>\$ 2,460,008</b>	<b>\$ 2,460,008</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,978	\$ 1,978
Accrued Payroll	4,000	4,000
Due to State and Federal Governments	2,216	2,216
Current Portion of Noncurrent Liabilities	71,489	71,489
Interest Payable	15,127	15,127
<b>Total Current Liabilities</b>	<b>94,810</b>	<b>94,810</b>
<b>Noncurrent Liabilities</b>		
Bonds, Notes and Loans Payable	1,115,368	1,115,368
<b>Total liabilities</b>	<b>1,210,178</b>	<b>1,210,178</b>
<b>NET ASSETS</b>		
Invested in Capital Assets-Net of Related Debt	(263,971)	(263,971)
Restricted		-
Debt Service	119,051	119,051
Capital Projects	738,121	738,121
Library	210,967	210,967
Special Assessments	24,475	24,475
Cemetery	41,896	41,896
Unrestricted	379,292	379,292
<b>Total Net Assets</b>	<b>1,249,830</b>	<b>1,249,830</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,460,008</b>	<b>\$ 2,460,008</b>

The Notes to Financial Statements are an Integral Part of this Statement.

Colon Township  
Government Wide Statement of Activities  
For the Year Ended March 31, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
General Government	\$ 185,003	\$ 14,769		(170,234)
Public Safety	94,950			(94,950)
Public Works	61,210			(61,210)
Culture and Recreation	116,469	1,335	\$ 2,552	(112,582)
Community Development	9,512			(9,512)
Other Functions	46,045			(46,045)
Interest on Long Term Debt	56,557			(56,557)
Total Governmental Activities	<u>569,746</u>	<u>16,103</u>	<u>2,552</u>	<u>(551,090)</u>
Total Primary Government	<u>\$ 569,746</u>	<u>\$ 16,103</u>	<u>\$ 2,552</u>	<u>(551,090)</u>
General Revenues				
Property Taxes				222,617
State Grants				151,835
Unrestricted Investment Earnings				14,764
Licenses and Permits				4,918
Fines and Forfeitures				15,221
Other Revenue				<u>136,485</u>
Total General Revenues				<u>545,840</u>
Change in Net Assets				(5,250)
Net Assets--Beginning				<u>1,255,080</u>
Net Assets--Ending				<u>\$ 1,249,830</u>

The Notes to Financial Statements are an integral part of this statement.

Colon Township  
Balance Sheet  
Governmental Funds  
March 31, 2005

	General Fund	Fire and Rescue Fund	Library Fund	Library Debt Fund	Library Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 204,272	\$ 20,417	\$ 198,951	\$ 60,232	\$ 738,984	\$ 48,100	\$ 1,270,957
Taxes Receivable	8,734	9,506	6,644	6,559		4,890	36,333
Due From Village	(137)					69,363	69,226
Due From State	22,999						22,999
Due from Other Funds	26,674	118,372	13,957	13,694		39,115	211,813
Land Contract Receivable						1,803	1,803
<b>Total Assets</b>	<b>\$ 262,543</b>	<b>\$ 148,295</b>	<b>\$ 219,553</b>	<b>\$ 80,485</b>	<b>\$ 738,984</b>	<b>\$ 163,270</b>	<b>\$ 1,613,130</b>
<b>Liabilities</b>							
Accounts Payable	680		436		863	\$ 831	\$ 2,809
Accrued Payroll	1,570		1,599				3,169
Interest Payable						15,127	15,127
Due to State and Federal Governments	1,525		691				2,216
Due to Other Funds	56,282		5,861	(10)		2,270	64,403
Deferred Revenue						51,166	51,166
<b>Total Liabilities</b>	<b>60,057</b>	<b>-</b>	<b>8,586</b>	<b>(10)</b>	<b>863</b>	<b>69,393</b>	<b>138,890</b>
<b>Fund Balances</b>							
Fund Balance	202,485	148,295	210,967	80,495	738,121	93,877	1,474,240
<b>Total Liabilities and Fund Balances</b>	<b>\$ 262,542</b>	<b>\$ 148,295</b>	<b>\$ 219,553</b>	<b>\$ 80,485</b>	<b>\$ 738,984</b>	<b>\$ 163,270</b>	<b>\$ 1,613,129</b>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balance	\$ 1,474,240
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	911,282
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(1,186,857)
Long-term receivables are not financial resources and are treated as deferred revenue in the funds.	51,166
<b>Net Assets of Governmental Activities</b>	<b>\$ 1,249,830</b>

The Notes to Financial Statements are an Integral Part of this Statement.

Colon Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended March 31, 2005

Exhibit 4

	General Fund	Fire and Rescue Fund	Library Fund	Library Debt Fund	Library Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>							
Taxes	\$ 87,318	\$ -	\$ 67,974	\$ 67,324	\$ -	\$ -	\$ 222,617
State Grants	151,835		2,552				154,388
Contribution from Village						20,000	20,000
Licenses and Permits	4,918						4,918
Charges For Services	62		1,335			17,479	18,876
Fines and Forfeitures			15,221				15,221
Interest and Rentals	4,420	79	1,532	119	8,147	467	14,764
Other							-
Other	3,422						-
Special Assessment		79,682				4,140	7,562
Delinquent Special Assessment		9,506				34,846	114,528
Transfer In						4,890	14,395
<b>Total Revenues</b>	<u>251,975</u>	<u>89,267</u>	<u>88,614</u>	<u>67,443</u>	<u>8,147</u>	<u>81,821</u>	<u>587,268</u>
<b>Expenditures</b>							
General Government	132,409						
Public Safety		84,728				42,521	174,930
Public Works	53,160						84,728
Culture and Recreation	3,730		82,689			8,049	61,210
Community and Economic Development	9,512						86,420
Other Functions	46,045						9,512
Debt Service							46,045
Principal Pmt. on Bldg.				15,000		52,559	67,559
Interest and Fees				37,503		19,054	56,557
Capital Outlay					98,023	5,080	103,103
<b>Total Expenditures</b>	<u>244,858</u>	<u>84,728</u>	<u>82,689</u>	<u>52,503</u>	<u>98,023</u>	<u>127,264</u>	<u>690,064</u>
Excess (deficiency) of Revenues vs. Expenditures	7,117	4,539	5,925	14,941	(89,876)	(45,443)	(102,796)
Other Financing Sources (Uses)							
Transfers In (out)	(13,000)		13,000				-
<b>Total Other Financing Sources (Uses)</b>	<u>(13,000)</u>		<u>13,000</u>				<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(5,883)</u>	<u>4,539</u>	<u>18,925</u>	<u>14,941</u>	<u>(89,876)</u>	<u>(45,443)</u>	<u>(102,796)</u>
Fund Balances - Beginning-Restated	208,368	143,756	192,042	65,554	827,997	139,319	1,577,036
Fund Balances - Ending:	<u>\$ 202,485</u>	<u>\$ 148,295</u>	<u>\$ 210,967</u>	<u>\$ 80,495</u>	<u>\$ 738,121</u>	<u>\$ 93,877</u>	<u>\$ 1,474,240</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance		\$ (102,796)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.		52,759
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		67,559
Governmental funds report payments on long term receivables as revenue when collected; in the statement of activities, these receipts reduce a long term receivable which was recognized as revenue in a prior period.		(22,772)
Change in Net Assets of Governmental Activities		<u>\$ (5,250)</u>

The Notes to Financial Statements are an Integral Part of this Statement.



Colon Township  
Statement of Net Assets  
Fiduciary Funds  
March 31, 2005

Exhibit 5

	Tax Collection Fund	Trust and Agency Fund	Total
Assets			
Cash	\$ 397,029	\$ -	\$ 397,029
Total Assets	<u>\$ 397,029</u>	<u>\$ -</u>	<u>\$ 397,029</u>
Liabilities			
Dog Licenses	\$ -	\$ -	\$ -
Undistributed Tax	(832)		(832)
Due to State			
Due to Schools	52,310		52,310
Due to Township	147,643		147,643
Due to County	197,908		197,908
Total Liabilities	<u>\$ 397,029</u>	<u>\$ -</u>	<u>\$ 397,029</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Colon Township  
Statement of Changes in Assets and Liabilities  
Fiduciary Fund  
For the Year Ended March 31, 2005

Exhibit 6

	Balance			Balance
Tax Collection Fund	April 1, 2004	Additions	Deductions	March 31, 2005
<b>Assets</b>				
Cash	\$ 10,113	\$ 2,604,755	\$ 2,217,838	\$ 397,029
Total Assets	<u>\$ 10,113</u>	<u>\$ 2,604,755</u>	<u>\$ 2,217,838</u>	<u>\$ 397,029</u>
<b>Liabilities</b>				
Dog Licenses		1,505	1,505	-
Undistributed Tax		975	1,808	(832)
Due to State	3,891		3,891	-
Due to Schools	492	425,160	373,342	52,310
Due to Township	2,018	315,701	170,075	147,643
Due to County	3,713	918,083	723,887	197,908
	<u>\$ 10,113</u>	<u>\$ 1,661,424</u>	<u>\$ 1,274,508</u>	<u>\$ 397,029</u>
<b>Trust and Agency Fund</b>				
<b>Assets</b>				
Cash	\$ 3,439	\$ -	\$ 3,439	\$ -
Total Assets	<u>\$ 3,439</u>	<u>\$ -</u>	<u>\$ 3,439</u>	<u>\$ -</u>
<b>Liabilities</b>				
Due to Twp	\$ 135	\$ -	\$ 135	\$ -
Due to Other Units	3,304		3,304	-
Total Liabilities	<u>\$ 3,439</u>	<u>\$ -</u>	<u>\$ 3,439</u>	<u>\$ -</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Colon Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Accounting and Reporting Change**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Colon Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements).

**B. Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

Colon Township covers an area of approximately 36 square miles located in St. Joseph County, Michigan. The Township provides services to its residents in many areas including fire protection, ambulance services, community enrichment and development, recreation and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer, and two trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Based on the criteria established by the Governmental Accounting Standards Board (GASB), the Township has one component unit.

***Blended Component Unit***

A blended component unit is a legally separate entity from the Township, but is so intertwined with the township that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types and account groups.

*Colon Township Library*—The Colon Township Library was established in accordance with Act 164 of 1877 (MCL 397.201, et al.) and is required to maintain the Library funds with the Colon Township Treasurer in the Library Fund. The Library is operated by the elected Colon Township Library Board which sets its own budget and expends the Library funds for the operation and maintenance of the Library.

*Municipal Building Fund*—Colon Township and the Village of Colon entered an agreement to construct and purchase a Fire Hall and to pay for the project through an installment purchase contract. Ownership of the Fire Hall is joint between the Township and Village in the ratio of 60% and 40% respectively. Construction was completed in 2000. The Fire Hall is occupied by the Colon Community Joint Fire and Rescue Authority.

The Building and debt are included in full in these financial statements. The Village is responsible for 40% of the total debt service and is required to contribute \$20,000 per year to the payment of the debt and agreed to extend payments beyond the final debt payment to reimburse the Township for the additional amounts paid by the Township (see Note 5 and 8).

***Joint Venture***

*Fire District*—Colon Township, in conjunction with Colon Village, has entered into an agreement that created the Colon Community Joint Fire and Rescue Authority. The Fire Department's board is composed of five members, of which Colon Township and Colon Village each appoints two. The Department then appoints one at large member. The Township's financial responsibility is to contribute based on a "weighted formula". For the year ended March 31, 2005, the Township's contribution to the Fire Department was \$76,095.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Colon Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**D. Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**E. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*The government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Property Taxes**--The Township property tax is levied and collectible on December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxes are returned delinquent to the County Treasurer on March 1. It is the Township's policy to recognize revenues in the current year when they are made available for the financing of Township operations.

The 2004 Taxable Value of Colon Township amounted to \$74,439,686, on which ad valorem taxes of .9118 mill was levied for Township operating purposes, .9118 mill for Library operations, .9 mill for Library debt. In addition special assessment millages on real property levied included .5878 mill for Fire Building debt, .2049 mill for Ambulance services and 1.6199 mills for Fire and Rescue services.

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property Taxes (continued)**

The 2004 tax levied included \$67,888 for Township operations, \$67,888 for Library operations and \$67,012 for Library Debt. The 2004 assessments levied included \$28,723 for Fire Building debt, \$10,007 for Ambulance services and \$79,172 for Fire and Rescue services. The delinquent real taxes totaling \$6,644, \$6,644 and \$6,558 for the Township, Library and Library Debt, respectively, are recorded as Taxes Receivable-Delinquent. The delinquent assessments totaling \$3,061, \$1,066 and \$8,439 for the Fire Building debt, Ambulance services and Fire and Rescue services, respectively, are recorded as Assessments Receivable-Delinquent.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

The Fire and Rescue Fund is used to account for a special assessment millage levy to provide the required funds for appropriation to the Colon Community Joint Fire and Rescue Authority.

The Library Fund is used to account for specific revenue sources derived from State grants, General Fund appropriations, a library tax levy and charges for services, which are to be expended for public library purposes as dictated by legal requirements

**E. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The Library Debt Service Fund is used to record revenues which are restricted for the payment of principal and interest on the 2003 Library debt

The Library Capital Project Fund is used to account for the construction of library facility renovations and additions.

Additionally, the government reports the following fund types:

Special Revenue funds are used to account for specific revenue sources (other than expendable trusts or major capital projects), generally derived from State and Federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Debt Service Funds are used to record revenues which are restricted for the payment of principal and interest on general long-term debt.

Fiduciary Funds--Agency Funds account for assets held by the Township as an agent for individuals, private organizations, other governmental units and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Cemetery Endowment Fund, Cemetery Fund, Special Assessment Fund and Municipal Building Fund is generally allocated to the General Fund.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Capital Assets**--Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Site Improvements	20 years
General Furnishings and Equipment	5 to 20 years
Office Equipment	10 years
Library Books	10 years
Outside Equipment	10 to 20 years

**Long-Term Obligations**--In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***--Budgets are adopted for the General Fund and Library Fund. All appropriations lapse at fiscal year end. The General Fund budget document presents information by revenue source (local, state and cemetery [which is not in the General Fund]) and generally by department. The Library Fund budget is adopted by revenue source and line item expenditures.

Budgets have not been adopted for the Fire and Rescue Fund, Cemetery Fund, and Road and Street Lighting Special Assessment Fund.

Colon Township  
Notes to the Financial Statements  
March 31, 2005

Excess of Expenditures over Appropriations in Budgeted Funds--During the year, the Township incurred expenditures in the General Fund and Library Fund which were in excess of the amounts appropriated, as follows:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General Fund</b>				
<b>General Government</b>				
Township Board	168,387.00	168,387.00	25,311.66	143,075.34
Supervisor Office	37,285.00	37,285.00	10,316.46	26,968.54
Elections	3,930.00	3,930.00	4,478.30	(548.30)
Treasurer	17,577.00	17,577.00	21,545.55	(3,968.55)
Board of Review			1,100.00	(1,100.00)
Assessor			39,402.19	(39,402.19)
Building and Grounds			9,189.04	(9,189.04)
Cemetery	53,381.00	53,381.00		53,381.00
<b>Public Works</b>				
Road Maintenance			39,756.19	(39,756.19)
Township Drain Maintenance			2,801.73	(2,801.73)
Lakes Sewer Study			6,750.00	(6,750.00)
Assessment/Lamberson Dam			3,852.52	(3,852.52)
<b>Culture and Recreation</b>				
Park & Beach Maintenance			3,730.25	(3,730.25)
<b>Community and Economic Development</b>				
Zoning			9,512.21	(9,512.21)
<b>Other Functions</b>				
Employee Benefits			10,094.39	(10,094.39)
Insurance and Bonds			35,951.00	(35,951.00)
<b>Library Fund</b>				
<b>Culture and Recreation</b>				
Library Director	20,500.00	20,500.00	20,657.65	(157.65)
Substitutes/Assistant	5,850.00	5,850.00	5,891.26	(41.26)
Cleaning Service	3,199.00	3,199.00	3,223.64	(24.64)
Miscellaneous Expense			350.00	(350.00)
Magazines	750.00	750.00	855.23	(105.23)
Dues & Fees	400.00	400.00	455.50	(55.50)
Co-Op Woodlands	1,000.00	1,000.00	1,699.18	(699.18)
Bank Fees			27.90	(27.90)

Fund Deficits--The Township has accumulated fund balance deficits in the Cemetery Fund. This deficit is the result of maintaining the fund accounting records within the General Fund yet treating it as a separate fund. Necessary appropriations from the General Fund to the Cemetery Fund are not recognized as a result of maintaining the fund accounting records within the General Fund. The Township failed to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct this deficit.

Long term Debt Late Payment- The March 15, 2005 payment on the Fire Building debt was not made until April 14, 2005. The bank sent a delinquent notice for the principal and interest payment scheduled, however, the Township had made advance payments on the principal and the bank only required the interest portion of the payment.

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 4--DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits and investment policy are in accordance with statutory authority.

The Township Board has not designated depositories for the deposit of Township funds. The investment policy adopted by the board by Colon Township Resolution #98-10 cannot be located.

At year-end, the Township's deposits and investments were reported in the basic financial statements as Cash.

The breakdown between deposits and cash on hand:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Bank Deposits (checking and savings accounts, certificates of deposit)	\$1,270,811	\$397,029	\$1,667,840
Cash on Hand	<u>146</u>	<u>0</u>	<u>146</u>
Total	<u>\$1,270,957</u>	<u>\$397,029</u>	<u>\$1,667,986</u>

The risk disclosures for the county's deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

Deposits	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 375,469	\$ 375,469
Uninsured and Uncollateralized	<u>1,292,371</u>	<u>1,308,304</u>
Total	<u>\$1,667,840</u>	<u>\$1,683,773</u>

**NOTE 5--RECEIVABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Fire and Rescue Fund	Library Fund	Library Debt Fund	Non-Major Funds Total
Taxes and Assessments	\$6,644	\$9,506	\$6,644	\$6,559	\$ 4,890
Administration Fee	2,090				
Due From Village					69,362
State Revenue Sharing	22,999				
Land Contracts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,803</u>
Total Receivables	\$31,733	\$9,506	\$6,644	\$6,559	\$ 6,693



Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 5—RECEIVABLES** (continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Non-Major Fund-Municipal Building Fund	
Deferred Revenue-Village (Note 1 and 8)	\$49,362
Deferred Revenue-Land Contracts	<u>1,803</u>
Total	<u>\$51,165</u>

**NOTE 6—CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$132,650	\$ 0	\$ 0	\$132,650
Land-Library	2,500	0	0	2,500
Construction in Progress-Library	<u>75,426</u>	<u>98,023</u>	<u>0</u>	<u>173,449</u>
Subtotal	<u>210,576</u>	<u>98,023</u>	<u>0</u>	<u>308,599</u>
<b>Capital Assets Being Depreciated</b>				
Site Improvements	147,500			147,500
Site Improvements-Library	138,500			138,500
Buildings	81,207			81,207
Library Building	17,587			17,587
Fire Hall	511,100			511,100
Office Equipment	2,950			2,950
Furnishings and Equipment-Library	5,608			5,608
Library Books	213,041	5,332		218,373
Outside Equipment	<u>19,004</u>	<u>5,332</u>	<u>—</u>	<u>19,004</u>
Subtotal	1,136,497	5,332	—	1,141,829
<b>Less Accumulated Depreciation for</b>				
Site Improvements	135,625	7,375		143,000
Site Improvements-Library	131,575	6,925		138,500
Buildings	45,456	1,434		46,890
Library Building	15,828			15,828
Fire Hall	40,888	10,222		51,110
Office Equipment	295	295		590
Furnishings and Equipment-Library	2,160	942		3,102
Library Books	109,185	21,837		131,022
Outside Equipment	<u>7,790</u>	<u>1,314</u>	<u>—</u>	<u>9,104</u>
Subtotal	488,802	50,344	—	539,146
<b>Net Capital Assets Being Depreciated</b>	<u>\$647,695</u>	<u>\$103,355</u>	<u>\$50,344</u>	<u>\$602,683</u>
<b>Governmental Activities Total</b>				
Capital Assets—Net of Depreciation	<u>\$858,271</u>	<u>\$103,355</u>	<u>\$50,344</u>	<u>\$911,282</u>

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 6--CAPITAL ASSETS (continued)**

Depreciation expense was charged to programs of the Governmental Activities as follows:

Governmental Activities	
General Government	\$ 8,224
Cemetery	1,849
Public Safety	10,222
Recreation and Culture	345
Library	<u>29,704</u>
	<u>\$50,344</u>

Construction Commitments--The Township Library has an active Library Renovation and Expansion construction project at year-end. At year-end the Library's commitments with contractors are as follows:

	Total Contract	Spent to Date	Remaining Commitment
Library Renovation and Expansion	\$736,262	\$61,273	\$674,989

**NOTE 7--INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances is as follows:

Due From		Due To	
Fire and Rescue	\$ 79,674	Tax Collection	\$147,362
Library	7,566		
Special Assessment	8,600		
Municipal Building	25,548		
Library Debt	7,468		
General Fund	<u>18,506</u>		<u>0</u>
Total	<u>\$147,362</u>	Total	<u>\$147,362</u>
Due From		Due To	
Fire and Rescue Fund	\$ 10,326	General Fund	\$27,910
Library	6,391		
Special Assessment	1,305		
Municipal Building	3,662		
Library Debt	<u>6,226</u>		<u>0</u>
Total	<u>\$27,910</u>	Total	<u>\$27,910</u>

**NOTE 8--LONG-TERM DEBT**

The individual long-term debt and other long-term obligations of Ontonagon County, and the changes therein, may be summarized as follows:

	Balances 3/31/2004	Additions (Reductions)	Balances 3/31/2005	Due in One Year
Governmental Activities				
1998 Lamberson Dam Special Assessment	\$14,807	\$(3,203)	\$11,604	\$3,875
2001 Municipal Building Bank Loan	\$342,812	\$(52,559)	290,253	\$47,614
2003 General Obligation Unlimited Tax Bonds	\$900,000	\$(15,000)	\$885,000	\$20,000

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 8--LONG-TERM DEBT** (continued)

1998 Lamberson Dam Special Assessment Original Assessment \$42,817. Payable in annual installments including interest at 4.125% due to St. Joseph County Drain Commission included with each years tax and assessment levy which is due February 14 of each year.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2006	4.125%	\$ 3,875	\$480	\$ 4,355
2007	4.125%	3,875	320	4,195
2008	4.125%	<u>3,875</u>	<u>159</u>	<u>4,035</u>
Total		<u>\$11,625</u>	<u>\$959</u>	<u>\$12,585</u>

2001 Municipal Building Bank Loan payable in annual installments including interest at 5.55% due on March 15 each year. This amortization schedule is updated to reflect the Township's advance payments of principal on the loan. Final maturity on the loan has changed from March 15, 2015 to March 15, 2012. The Village is responsible for 40% of the total debt service and is required to contribute \$20,000 per year to the payment of the debt and has agreed to extend payments beyond the final debt payment to reimburse the Township for the additional amounts paid by the Township (see Note 5)

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2006	5.55%	\$ 38,513	\$16,109	\$ 54,622
2007	5.55%	40,651	13,972	54,623
2008	5.55%	42,907	11,715	54,622
2009	5.55%	45,288	9,334	54,622
2010	5.55%	47,802	6,821	54,623
2011	5.55%	50,455	4,167	54,622
2012	5.55%	<u>24,635</u>	<u>1,367</u>	<u>26,002</u>
Total		<u>\$290,253</u>	<u>\$63,485</u>	<u>\$353,738</u>

2003 General Obligation Unlimited Tax Bonds dated November 1, 2003. Principal payable annually on May 1 amounts ranging from \$15,000 to \$70,000. Interest is payable semi-annually May 1 and November 1 with rates ranging from 3% to 4.8%.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2006	3.5%	\$ 20,000	\$ 36,927	\$ 56,927
2007	3.5%	25,000	36,140	61,140
2008	3.5%	30,000	35,178	65,178
2009	3.5%	35,000	34,040	69,040
2010	3.1%	35,000	32,885	67,885
2011	3.3%	35,000	31,765	66,765
2012	3.6%	40,000	30,467	70,467
2013	3.85%	40,000	28,978	68,978
2014	4.0%	45,000	27,307	72,307
2015	4.1%	45,000	25,485	70,485
2016	4.2%	50,000	23,513	73,513
2017	4.3%	50,000	21,387	71,387
2018	4.4%	55,000	19,103	74,103
2019	4.5%	55,000	16,655	71,655
2020	4.6%	60,000	14,038	74,038
2021	4.75%	60,000	11,232	71,232
2022	4.75%	65,000	8,264	73,264
2023	4.8%	70,000	5,040	75,040
2024	4.8%	<u>70,000</u>	<u>1,680</u>	<u>71,680</u>
Total		<u>\$885,000</u>	<u>\$440,084</u>	<u>\$1,325,084</u>

Colon Township  
Notes to the Financial Statements  
March 31, 2005

**NOTE 9-FUND BALANCE RESERVES**

The Special Assessment Fund accounts for several assessment districts and provide street lighting and private road maintenance to the residents of the various districts. The balances of each district are summarized here.

<u>Special Assessment Districts</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Yeatter Road	\$ 4,894	\$ 1,169	\$ 176	\$ 5,887
Bass Lane	(138)	1	78	(215)
Bert Road	8,405	1,638	168	9,875
Sunrise Gardens	2,634	688	78	3,244
Shoreland Manor	3,349	3,965	3,930	3,384
Davis Dr.	(85)	234	247	(98)
Sewanee Trail	2,710	3,060	3,373	2,398
Total All Districts	<u>\$21,769</u>	<u>\$10,755</u>	<u>\$8,050</u>	<u>\$24,475</u>

The Cemetery Endowment Fund was established to provide perpetual care to certain cemetery lots. The principal of the fund is to be invested and the earnings of the fund are to provide the required care.

Reserved Fund Balance	
Reserved for Principal	\$29,200
Reserved for Perpetual Care	<u>12,880</u>
	<u>\$42,080</u>

**NOTE 10--RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased commercial insurance for liability, building and contents, casualty and workers compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11--EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**Defined Contribution Pension Plan**

The Township provides pension benefits to elected township board officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15 percent of the officials compensation with a minimum contribution of \$200. Officials' contributions for each employee plus interest allocated to the employee's account are fully vested 100% at all times. The Township's total payroll during the current year was \$51,966. The current year contribution was calculated based on covered payroll of \$27,882, resulting in an employer contribution of \$3,327.

**NOTE 12--PRIOR PERIOD ADJUSTMENT**

Certain errors, resulting in the understatement of fund balance in the prior year, was corrected during fiscal year ended March 31, 2005. The effect of those errors is as follows:

	<u>General</u>	<u>Fire &amp; Rescue</u>	<u>Library</u>	<u>Library Debt</u>
Fund Balance at April 1, 2004, as previously reported	\$207,501	\$144,128	\$190,248	\$65,782
Accounts Payable misstated	2,187		1,794	
Due from Other Funds misstated	<u>(1,320)</u>	<u>(372)</u>	<u>0</u>	<u>(228)</u>
Fund Balance-Restated at April 1, 2004	<u>\$208,368</u>	<u>\$143,756</u>	<u>\$192,042</u>	<u>\$65,554</u>

Colon Township  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2005

Exhibit 7

	Budget	Budget	Actual	Variance Favorable (Unfavorable)
Budgetary Fund Balance, April 1, 2004	<u>\$ 207,651</u>	<u>\$ 207,651</u>	<u>\$ 208,368</u>	<u>\$ 717</u>
Recources (Inflows)				
Local	98,851	98,851		1,288
Taxes				
Property Tax			61,626	
Delinquent Tax			6,644	
Other Taxes			424	
Administration Fee			18,400	
000.423 - Mobile Home Park Taxes			224	
Licenses and Permits				
Dog Licenses			153	
Zoning Bd. of Appeals Fees			2,430	
Zoning Fees			2,335	
Charges For Services				
Charges for Service			62	
Interest and Rentals				
Interest			3,519	
Rentals			901	
Other				
Other			2,975	
Land Splits			400	
Refunds/Rebates			47	
State	151,500	151,500		335
State Grants				
State Revenue Sharing			148,288	
Summer Tax Collection			3,547	
Cemetery	<u>13,200</u>	<u>13,200</u>		<u>(13,200)</u>
Amounts Available for Appropriation	<u>471,202</u>	<u>471,202</u>	<u>460,343</u>	<u>(10,859)</u>

Colon Township  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2005

Exhibit 7

	Budget	Budget	Actual	Variance Favorable (Unfavorable)
Charges to Appropriations (Outflows)				
General Government				
Township Board	168,387	168,387	25,312	143,075
Township Supervisor Office	37,285	37,285	10,316	26,969
Elections	3,930	3,930	4,478	(548)
Clerk	24,460	24,460	21,066	3,394
Treasurer	17,577	17,577	21,546	(3,969)
Board of Review			1,100	(1,100)
Assessor			39,402	(39,402)
Building and Grounds			9,189	(9,189)
Cemetery	53,381	53,381		53,381
Public Works				
Road Maintenance			39,756	(39,756)
Street Lights				
Township Drain Maintenance			2,802	(2,802)
Lakes Sewer Study			6,750	(6,750)
Tax Assessment/Lamberson Dam			3,853	(3,853)
Culture and Recreation				
Park & Beach Maintenance			3,730	(3,730)
Community and Economic Development				
Zoning			9,512	(9,512)
Other Functions				
Employee Benefits			10,094	(10,094)
Insurance and Bonds			35,951	(35,951)
Transfers Out				
Transfer to Library Fund	13,000	13,000	13,000	-
Total Charges to Appropriations	318,020	318,020	257,858	60,162
Budgetary Fund Balance--March 31	\$ 153,182	\$ 153,182	\$ 202,485	\$ 49,303

Colon Township  
 Library Fund  
 Budgetary Comparison Schedule  
 For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Budgetary Fund Balance, April 1, 2004	\$ -	\$ -	\$ 192,042	\$ 192,042
Recources (Inflows)				
Taxes				
Property Tax	65,000	65,000	61,330	2,974
Delinquent Tax			6,644	
State Grants				
State Aid	2,000	2,000	2,552	552
Charges For Services				
Copies	800	800	1,335	535
Fines and Forfeitures				
Penal Fines	13,500	13,500	14,463	963
Book Fines	800	800	758	(42)
Interest and Rentals				
Interest	1,050	1,050	1,532	482
Other	400	400		(400)
Transfer In				
Transfer from General Fund	13,000	13,000	13,000	-
Amounts Available for Appropriation	<u>96,550</u>	<u>96,550</u>	<u>293,656</u>	<u>197,106</u>

Colon Township  
Library Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2005

Exhibit 8

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges to Appropriations (Outflows)				
Culture and Recreation				
Library Director	20,500	20,500	20,658	(158)
Asst. Librarian	11,000	11,000	10,947	53
Substitutes/Assistant	5,850	5,850	5,891	(41)
Cleaning Service	3,199	3,199	3,224	(25)
Trustee Honorarium	2,520	2,520	2,370	150
Payroll Taxes	3,102	3,102	3,094	8
Employee Insurance	2,400	2,400	2,400	-
Office	3,000	3,000	1,987	1,013
Cleaning	300	300	202	98
Postage	300	300	125	175
Education/Training	600	600	210	390
Professional/Contractual	1,300	1,300	425	875
Mileage	300	300	110	190
Telecommunications	2,500	3,500	3,300	200
Insurance	1,250	1,300	1,296	4
Utilities	8,000	8,000	4,542	3,458
Building & Grounds	3,000	3,000	1,339	1,661
Equipment Maintenance	350	350	42	308
Miscellaneous Expense			350	(350)
Books	7,100	7,100	5,332	1,768
Magazines	750	750	855	(105)
Books on Tape	1,700	1,700	1,455	245
Videos	300	300	267	33
Automation Equipment	5,625	5,625	5,380	245
Automation Repairs	3,625	3,625	3,257	368
Automation Supplies	400	400		400
Automation Software		1,150	1,150	-
Dues & Fees	400	400	456	(56)
Co-Op Share State Aid/Woodlands	1,000	1,000	1,699	(699)
Bank Fees			28	(28)
New Equipment	500	500	300	200
Revolving Improvement	4,793	2,593		2,593
Total Charges to Appropriations	95,664	95,664	82,689	12,975
Budgetary Fund Balance--March 31	\$ -	\$ -	\$ 210,967	\$ 210,967



Colon Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2005

Exhibit 9

	Cemetery Fund	Special Assessment Fund	Municipal Building Fund	Cemetery Endowment Fund	TOTAL
<b>Assets</b>					
Cash	\$ (10,212)	\$ 15,005	\$ 1,411	\$ 41,896	\$ 48,100
Taxes Receivable		1,828	3,062		4,890
Due From Village			69,363		69,363
Due From Tax Collections		8,600	25,549		34,148
Due From General Fund		1,305	3,662		4,966
Land Contract Receivable			1,803		1,803
Total Assets	<u>\$ (10,212)</u>	<u>\$ 26,738</u>	<u>\$ 104,848</u>	<u>\$ 41,896</u>	<u>\$ 163,270</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accrued Payroll	\$ 831	\$ -	\$ -	\$ -	\$ 831
Interest Payable			15,127		15,127
Due to the General Fund	7	2,263			2,270
Deferred Revenue			51,166		51,166
Total Liabilities	<u>838</u>	<u>2,263</u>	<u>66,292</u>		<u>69,393</u>
<b>Fund Balances</b>					
Restricted		24,475	38,556	41,896	104,927
Fund Balance-Unreserved	(11,050)				(11,050)
Total Fund Balances	<u>(11,050)</u>	<u>24,475</u>	<u>38,556</u>	<u>41,896</u>	<u>93,877</u>
Total Liabilities and Fund Balances	<u>\$ (10,212)</u>	<u>\$ 26,738</u>	<u>\$ 104,848</u>	<u>\$ 41,896</u>	<u>\$ 163,270</u>

## Colon Township

Exhibit 10

## Combining Statement of Revenue, Expenditures and Changes in Fund Balance

## Nonmajor Governmental Funds

For the Year Ended March 31, 2005

	Cemetery Fund	Special Assessment Fund	Municipal Building Fund	Cemetery Endowment Fund	Total
Revenue					
Contribution From Local Units					
Colon Village	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000
Charges For Services					
Grave Openings	7,625				\$ 7,625
Foundation Construction	1,832				1,832
Lot Sales	5,250				5,250
Land Contract			2,772		2,772
Interest and Rentals					
Interest	28	77	137	224	467
Other					
Other		15			15
Insurance Recovery	4,125				4,125
Special Assessment		8,834	26,012		34,846
Delinquent Special Assessment		1,828	3,062		4,890
Total Revenue	<u>18,860</u>	<u>10,754</u>	<u>51,982</u>	<u>224</u>	<u>81,821</u>
Expenditures					
General Government					
Cemetery	42,113			408	42,521
Public Works					
Road Maintenance		3,872			3,872
Street Lights		4,177			4,177
Debt Service					
Principal			52,559		52,559
Interest and Fees			19,054		19,054
New Equipment Lease	5,080				5,080
Total Expenditures	<u>47,193</u>	<u>8,049</u>	<u>71,614</u>	<u>408</u>	<u>127,264</u>
Excess (deficiency) of Revenues					
Over Expenditures	(28,332)	2,705	(19,631)	(184)	(45,443)
Fund Balances-Beginning	<u>17,282</u>	<u>21,770</u>	<u>58,187</u>	<u>42,080</u>	<u>139,319</u>
Fund Balance-Ending	<u>\$ (11,050)</u>	<u>\$ 24,475</u>	<u>\$ 38,556</u>	<u>\$ 41,896</u>	<u>\$ 93,877</u>

Richard L. Baldermann

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January 30, 2006

Colon Township Board  
132 N. Blackstone Ave  
PO Box 608  
Colon, MI 49040-0608

Dear Board Members:

I was engaged to audit the financial statements of Colon Township for the year ended March 31, 2005, and have issued my report thereon dated January 30, 2006.

In planning and performing my audit of the financial statements of Colon Township for the year ended March 31, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Colon Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These conditions are more fully explained in the attached report of comments and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of management and other regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard L. Baldermann

**Colon Township  
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**OTHER REPORTABLE CONDITIONS**

Although the following are not considered material weaknesses in the internal control structure, my audit disclosed certain other reportable conditions that I wish to point out for consideration by the management of Colon Township

**Segregation of Duties**

The Treasurer does not maintain cash ledgers nor does she review the bank reconciliations that are prepared by the Clerk's office (bookkeeper). The bookkeeper prepares the accounts payable checks, payroll, and the payroll checks, maintains the accounting records and reconciles the bank account. There is no segregation of duties and apparently no formal review of the work done.

Adequate internal controls require that duties be segregated among different people to reduce the risk of errors or misappropriation. No one person should have control over all aspects of the financial transactions. In a small office environment segregation of duties is usually not possible however when the work of one employee is checked by another, there is an appropriate segregation of duties.

This is a small office environment where segregation of duties is difficult; however, simple review of the bank reconciliations by the Treasurer would strengthen the system considerably. I recommend that the Treasurer receive a copy of the bank reconciliations and review them for accuracy. The Treasurer should also review for proper month end cutoff of transactions, deposits in transit and any month end adjusting entries.

**Posting of Receipts**

The bookkeeper and Clerk write all receipts (except tax collection) for the Township. The money collected is given to the Treasurer who makes the bank deposits. The bookkeeper posts the accounting records by total deposit as of the date of deposit, not by individual receipts on the date of the receipt. Therefore, proper month end cutoff of transactions and deposits in transit are not accurate in many cases.

A proper accounting system is based on documents of original entry where receipts written (based on cash or checks received) are posted individually at the date of the transaction occurrence.

I recommend that the proper procedure be implemented immediately.

**Void Receipts**

I found that all copies of void receipts are not retained.

Maintaining all copies of void receipts provides evidence that the original copy of the receipt has not been used and the money misappropriated.

I recommend that all copies of void receipts be retained in the receipt book.

**Disbursements**

Review of disbursements disclosed the following matters which are an indication of weakness of the internal control system over disbursements:

- There was no administrative approval on 7 of nine payments reviewed;
- In one instance the documentation was a copy of an invoice.
- There was no explanation of how a Consumers bill was split between assessment districts.
- Vouchers do not have administrative approval noted;
- Vouchers do not have the account number(s) listed on them;
- The Laaksonen Law Offices P.C. is paid using a monthly statement as documentation. There is no detail relating to the services rendered; and
- Checks are distributed by the Clerk's office.

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**Disbursements** (continued)

Adequate internal controls require that:

- Appropriate documentation (supporting invoices) be attached for all disbursements;
- Original bills, not copies, be used for documentation;
- Bills or invoices must contain adequate information to reveal the goods or services being paid for;
- In addition to Township Board approval, all vouchers must have administrative approval and accounting codes (account numbers) must noted on them;
- Checks should not be returned to the originating office for distribution;

I recommend that the following procedure be followed for the payment of bills:

Payments to vendors be documented in writing by a vendor invoice or, in the few instances where no invoice is forthcoming, by a written voucher by the department requesting payment. Only original invoices be processed for payments, as statements or copies of invoices may result in duplicate payments.

All requests for payments shall be approved by the department to which the expense shall be posted or the Clerk. The department (or Clerk) shall affix the account number and his or her initials to the invoice. Initialing the invoice or voucher shall indicate all of the following are true:

- the expense is authorized and correct;
- the goods have been delivered or the services have been rendered to the township; and
- all prices and units agree with what was received or any differences have been reconciled;

The bookkeeper shall verify the account number on the invoice or voucher and shall initial the document. Initialing the invoice or voucher shall indicate all of the following are true:

- the payment request is mathematically correct; and
- the account number being charged is the appropriate budgetary allocation for this expense.

Upon approval by the Township Board, signing by the Clerk and transmittal to the Treasurer for signature, the checks should not be returned to the originating office for distribution.

**Uniform Chart of Accounts**

*Expenditure Accounting*-Review of the expenditure accounting records revealed the following departures from the accounting and reporting requirements of the Department of Treasury Uniform Chart of Accounts:

1. Property tax refunds is not an expense-it should be a reduction of tax revenue.
2. The charges for the contractual assessor and his expenses are charged to the supervisor and township board activities. There should be a separate assessor activity.
3. The Supervisor activity contains expenses for the Board of Review activity and the Assessor activity which is separate when the Supervisor is not the Assessor.
4. The Township Board activity contains expenses for the Public Works function, Building and Grounds activity and the Insurance and Bonds activity.
5. A line item in the Township Board activity contains expenses for the township attorney and auditor.
6. The cost of printing and mailing tax bills belongs in the Treasurer's activity

I recommend that these activities and expenses/revenue debits be accounted for and reported in the manner required by the Department of Treasury Uniform Chart of Accounts.

*Fund Accounting*-The Cemetery Endowment Fund, Cemetery Fund, Municipal Building Fund and the Special Assessment Fund are all accounted for within the General Fund. As stated in the Cash Balances comment in the next section, there is no separate accounting for the cash balances of these other funds

**Colon Township**  
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**Uniform Chart of Accounts** (continued)

A fund is an independent accounting entity with a self-balancing set of accounts, created for the purpose of carrying on a specific activity. It has accounts for assets, liabilities, equities, and revenue and expenditures.

I recommend that an independent accounting fund with a self-balancing set of accounts be established for each of the following funds-Cemetery Endowment Fund, Municipal Building Fund and the Special Assessment Fund. The Cemetery Fund should be closed into the General Fund since there is no separate funding provided for the Cemetery and the fund must rely on appropriations from the General Fund to continue operations.

**Cash Balances**

Various fund's cash balances are contained in the General Fund bank account. This is not an inappropriate procedure; however, there is no separate accounting for the cash balances of the other funds, which is inappropriate.

- The General Fund checking account balance at March 31, 2005 is \$31,465 and is made up of the following balances (deficits):

Cemetery Endowment Fund	\$ 5,037.31
Cemetery Fund	\$(10,212.10)
Municipal Building Fund	\$ (6,454.85)
Special Assessment Fund	\$ (8,033.63)
General Fund	\$ 51,128.36
- The cash balance of the Cemetery Endowment Fund is twelve percent of the available cash balance of that fund and the balance is NOT earning interest for the Endowment Fund.
- An erroneous deposit was recorded at March 31, 2005 into the Library Tax bank account.

I recommend that "cash" accounts be established for each of the funds included in the General checking account. Further, all of the cash balance of the Cemetery Endowment Fund be kept in and interest account to the benefit of the endowment fund.

**Bank Accounts**

The Township Treasurer maintains a total of 24 bank accounts as follows:

Township Bank Accounts	Bond Payback Account
1. General Checking-	1. 2003 Debt Retirement Fund
2. Township Checking	Library Construction Account
3. Emergency Disaster	1. Capital Projects Fund
4. Township Improvement Savings	Special Road Assessment Accounts
5. Loan Proceeds-Municipal Improvement	1. Bass Lane-
6. Township General Account	2. Sunrise Garden Utilities
7. Cemetery Endowment CD	3. Vanricht Utilities
8. Mobile Home Rosenberry	4. Yeatter Road
Fire Department Bank Accounts	5. Shoreland Manor
1. Fire Department	Township Tax Account
Township Library Bank Accounts	1. Tax Collection Fund
1. General Checking	2. Tax Collection Fund
2. Memorial Savings	3. Trust and Agency Fund
3. Copies/Fees	
4. Revolving Improvement Fund	
5. Library Millage	

I recommend that the number of bank accounts be reduced to the minimum necessary to meet the needs of the Township.

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**Travel Expenses**

One of the Treasurer's payroll checks includes a note on hotel paper for mileage reimbursement. The note contains date destination (purpose) and miles but is not on a travel voucher. I also found that travel expenses were routinely paid from petty cash.

Travel expenses should be reported on a travel voucher designed for that specific purpose. This form should include areas for the following information:

- Name
- Address
- Date of travel
- Time of travel-start and return
- Destination
- Purpose
- Amount of lodging expense
- Amount of meals expense
- Number of miles traveled
- Mileage amount

I recommend that the Township require the use of a formal travel voucher for all travel reimbursements.

**Special Assessment Districts**

Two of the special assessment districts have a negative balance that grew larger over the fiscal year 2005. Those districts are actually operating on money belonging to other districts.

<u>Special Assessment Districts</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Bass Lane	(138)	1	78	(215)
Davis Dr.	(85)	234	247	(98)

I recommend that either adequate assessments be levied for those districts or the Township stop paying the expenses of them.

**Fire Barn Village Debt Agreement**

The Township has an agreement with the Village of Colon to share payment on the debt on the fire barn building. The Village is responsible for 40% of the total debt service and is required to contribute \$20,000 per year to the payment of the debt and agreed to extend payments beyond the final debt payment to reimburse the Township for the additional amounts paid by the Township. During the fiscal year ended March 31, 2005, the Township made payments on the debt but did not receive anything from the Village.

I recommend that the Township bill the Village for their agreed upon amount of \$20,000.

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**NONCOMPLIANCE WITH STATE STATUTES**

My examination revealed the following instances of noncompliance with State Statutes.

**Board Minutes**

**Township Board**

The following are matters were found when the board minutes were reviewed:

- None of the board minutes are signed by the Clerk of the Board from December 2004 forward;
- The minutes are never "approved" they are "accepted";
- On January 25, 2005 the Board adjourned to closed session without stating a reason;
- The February 22, 2005 minutes did not list the attendance of board members;
- The March 2005 special meeting minutes were not approved;
- At the May 24, 2005 meeting the Board approved a change to the previous minutes but did not approve those minutes; and

**Library Board**

The following are matters were found when the board minutes were reviewed:

- None of the board minutes are signed by the clerk of the Library Board; and
- The minutes are never "approved" they are "accepted".

Michigan Compiled Laws (MCL) section 15.269(1) requires the Board to:

- Keep minutes of each meeting;
- Include the date, time, place, members present, members absent, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is held.
- Include all roll call votes taken at the meeting.
- Make any corrections in the minutes at the next meeting after the meeting to which the minutes refer;
- The corrected minutes shall show both the original entry and the correction.

Michigan Compiled Laws (MCL) section 15.267(1) requires the Board to:

- Include the roll call vote and the purpose or purposes for calling the closed session in the minutes of the meeting at which the vote is taken.

I recommend compliance with statutory requirements.

**Approval of Bills**

The Township Board minutes included the following actions or similar actions related to bill approval:

- There were no unpaid bills over \$500;
- Motion to pay unpaid bills totaling \$2,109.19 (no list attached); and
- Motion to approve bills to be paid (no amount or list);

A listing of bills to be paid by check number is NOT prepared and submitted to the Board for final approval. And in February, March and April 2005 there were no bills approved for payment

Michigan Compiled Laws (MCL) section 41.75 requires the Board to:

- approve claims against the township and authorize payment of allowed claims.

Without inclusion of a listing of bills to be paid by check number there is no reasonable way to determine if all bills paid have been approved by the Township Board as required. I recommend that a listing of bills to be paid be included in the minutes or referred to and attached to the minutes



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**Library Board Approval of Bills**

The Library Board minutes did not indicate that bills were approved nor is there a list of bills for approval included.

Michigan Compiled Laws (MCL) section 396.205 requires::

- that the Library Board . . have the exclusive control of the expenditure of all moneys collected to the credit of the library fund; and
- That all moneys received for such library shall be . . drawn upon by the proper officers of said (township), upon the properly authenticated vouchers of the library board.

Michigan Compiled Laws (MCL) section 41.76 requires::

- The township treasurer . . shall pay over and account for the money, according to the order of the township board, or the *authorized officers of the township* (in this case, the Library Board).

Without inclusion of a listing of bills to be paid there is no reasonable way to determine if all bills paid have been approved by the Library Board as required. I recommend that a listing of bills to be paid be included in the minutes or referred to and attached to the minutes

**Check Signers**

At the November 2004 Township Board meeting the Board approved bank signatures to be Treasurer and Supervisor.

Michigan Compiled Laws (MCL) section 41.75 requires that:

- Payments authorized shall be paid by the treasurer, on the order of the township board, signed by the township clerk.

The attached material titled *Township-Payment of Bills* fully explains the requirement that the authorized check signers are the Treasurer (or Deputy Treasurer) and the Clerk (or Deputy Clerk). I recommend compliance with the statutory requirement.

**Budget**

*Public Hearing*—On April 27, 2004 there was a motion to approve the Budget Hearing of March 23, 2004, however the March 23, 2004 minutes do not indicate the there was a budget hearing.

Michigan Compiled Laws (MCL) section 141.434(5) requires that:

Before final passage of a general appropriations act by the legislative body, a public hearing shall be held as required by 1963 (2nd Ex Sess) PA 43, MCL 141.411 to 141.415, and the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

I recommend that the public hearing be held as required by the Uniform Budget Act and that minutes be maintained of the public hearing as required by the Open Meetings Act.

*Budgetary Information*—Budgets are adopted for the General Fund and Library Fund. The General Fund budget document presents information by revenue source (local, state and cemetery [which is not in the General Fund]) and generally by department. The Library Fund budget is adopted by revenue source and line item expenditures.

Budgets have not been adopted for the Fire and Rescue Fund, Cemetery Fund, and Road and Street Lighting Special Assessment Fund.

Excess of Expenditures over Appropriations in Budgeted Funds--During the year, the Township incurred expenditures in the General Fund and Library Fund which were in excess of the amounts appropriated, as follows:

**Colon Township**  
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**Budget** (continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General Fund</b>				
<b>General Government</b>				
Township Board	168,387.00	168,387.00	25,311.66	143,075.34
Supervisor Office	37,285.00	37,285.00	10,316.46	26,968.54
Elections	3,930.00	3,930.00	4,478.30	(548.30)
Treasurer	17,577.00	17,577.00	21,545.55	(3,968.55)
Board of Review			1,100.00	(1,100.00)
Assessor			39,402.19	(39,402.19)
Building and Grounds			9,189.04	(9,189.04)
Cemetery	53,381.00	53,381.00		53,381.00
<b>Public Works</b>				
Road Maintenance			39,756.19	(39,756.19)
Township Drain Maintenance			2,801.73	(2,801.73)
Lakes Sewer Study			6,750.00	(6,750.00)
Assessment/Lamberson Dam			3,852.52	(3,852.52)
<b>Culture and Recreation</b>				
Park & Beach Maintenance			3,730.25	(3,730.25)
<b>Community and Economic Development</b>				
Zoning			9,512.21	(9,512.21)
<b>Other Functions</b>				
Employee Benefits			10,094.39	(10,094.39)
Insurance and Bonds			35,951.00	(35,951.00)
<b>Library Fund</b>				
<b>Culture and Recreation</b>				
Library Director	20,500.00	20,500.00	20,657.65	(157.65)
Substitutes/Assistant	5,850.00	5,850.00	5,891.26	(41.26)
Cleaning Service	3,199.00	3,199.00	3,223.64	(24.64)
Miscellaneous Expense			350.00	(350.00)
Magazines	750.00	750.00	855.23	(105.23)
Dues & Fees	400.00	400.00	455.50	(55.50)
Co-Op Woodlands	1,000.00	1,000.00	1,699.18	(699.18)
Bank Fees			27.90	(27.90)

Michigan Compiled Laws (MCL) section 141.436 requires that:

- The legislative body shall pass a general appropriations act for the General Fund and all special revenue funds
- The general appropriations act shall set forth the total number of mills of ad valorem property taxes to be levied and the purposes for which that millage is to be levied.
- The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year,
- and shall set forth a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.
- The general appropriations act shall be consistent with uniform charts of accounts prescribed by the state treasurer.

Michigan Compiled Laws (MCL) section 141.437 requires that:

- The legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined.

I recommend that the Township comply with the statutory requirements.

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**Fund Deficits**

The Township has accumulated fund balance deficits in the Cemetery Fund. This deficit is the result of maintaining the fund accounting records within the General Fund yet treating it as a separate fund. Necessary appropriations from the General Fund to the Cemetery Fund are not recognized as a result of maintaining the fund accounting records within the General Fund. The Township failed to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct this deficit.

I recommend a plan be developed and submitted to the Department of Treasury. I further recommend that the plan call for closing the Cemetery Fund into the General Fund and accounting for the cemetery as an activity of the General Fund.

**Long term Debt Late Payment**

The March 15, 2005 payment on the Fire Building debt was not made until April 14, 2005. The bank sent a delinquent notice for the principal and interest payment scheduled. Because the Township had made advance payments on the principal in the past the bank only required the interest portion of the payment.

More care must be exercised to assure all debt payments are made on time.

**Treasurer Fees**

The former Treasurer was paid the amount of the dog license fees received by the General Fund.

When the Treasurer is paid a salary, payment of fees is not authorized. The Treasurer is paid either a salary or is compensated on a fee basis. The Colon Township Treasurer is paid a salary as authorized by MCL section 41.95 which states:

- (1) The officers composing the township board are entitled to the salary as determined by resolution adopted by the township board . .

The Colon Township Board established the Treasurer's salary by resolution 2004-4 on March 23, 2004.

In addition, this added compensation is taxable income to the recipient and the W-2 issued to the Treasurer did not include the additional pay to the Treasurer.

I recommend that the payment of fees in addition to authorized salary be discontinued immediately.

**Sexton Mileage**

In October 2004 the cemetery sexton was paid an amount titled "Annual Mileage" of 1,000.00. No accounting was provided to support the payment.

The Michigan Attorney General has ruled that this type payment is not a proper use of public funds. The amount is compensation over the authorized salary and wages of the recipient. This added compensation is taxable income to the recipient and the W-2 issued to the sexton did not include the additional amount.

I recommend that the payment of lump sum mileage without a full accounting in addition to authorized salary be discontinued immediately.

**Colon Township  
Comments and Recommendations  
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**Library Director Insurance**

The Library Director is paid \$600 for unnamed insurance from account 715.200-Employee Insurance. There is nothing mentioned in the compensation authorization by the Library Board that makes this payment part of the compensation or fringe benefit package for the Director.

This added compensation is taxable income to the recipient and the W-2 issued to the Library Director did not include the additional amount.

I recommend that the payment of an insurance reimbursement without inclusion in the Director's compensation or fringe benefit package be discontinued.

**Annual Christmas Bonus at the Library**

The Library Board approved payment of an annual Christmas bonus to three employees. Payment of additional compensation after the services have been rendered violates § 3 of the 1963 Constitution of the State of Michigan which states:

Neither the legislature nor any political subdivision of this state shall grant or authorize extra compensation to any public officer, agent or contractor after the service has been rendered or the contract entered into.

I recommend compliance with the constitutional provision.

**Colon Township  
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**Township-Payment of Bills**

The statutory duties relating to check preparation and signing of the township treasurer and township clerk include:

Township Treasurer

- MCL 41.76--pay over and account for the money, according to the order of the township board, or the authorized officers of the township.

Township Clerk

- MCL 41.75 states " . . . the township board shall approve claims against the township and authorize payment of allowed claims. Accounts approved by the township board shall be filed and preserved by the township clerk. The payments authorized shall be paid by the treasurer, on the order of the township board, signed by the township clerk."

Following is the process required by the cited statutes.

The township clerk would accumulate the bills through out the month, prepare a list of bills and submit the list and the bills at the regular board meeting for the board's review and approval for payment. The clerk would then file the bills, properly canceled, in the clerk's records and then would prepare and sign an order to the treasurer for each bill allowed. The treasurer would then write the necessary checks.

A recommended alternative is the township clerk accumulates the bills through out the month, prepares checks (the check register is used as the list of bills), and submits the list and bills to the board for review and approval. The clerk then files the bills, properly canceled, in the clerk's records, signs the checks and forwards them to the treasurer for signature and distribution. The clerk's signature signifies signature on an order and the treasurer's signature signifies issuance of a check.

Some financial institutions will not enforce a counter signature on township checks. As long as the check is signed by one of the township officials who has signed the bank card, the check is honored. This disregards the statutory determination that the treasurer's signature is required to make a township warrant a check and can make it difficult for townships to maintain internal control. One solution is to continue to use the three-part warrant/check, with the blank warrants in the clerk's custody. The clerk or deputy clerk should continue to sign the three-part form as a warrant to issue a check. Therefore, the clerk's and deputy clerk's names may be removed from the bank signature card. This should ensure that only checks signed by the treasurer or deputy treasurer will be honored. With the blank warrants controlled by the clerk, there will still be internal control. Checks are never signed blank, and access to blank warrants should be controlled.

There is no statutory authority to replace the treasurer (or his/her deputy) in the check signing process. The clerk (or his/her deputy) must continue to sign the three-part form in some other area than the "check" portion.

## **Township-Payment of Bills**

The statutory duties relating to check preparation and signing of the township treasurer and township clerk include:

### **Township Treasurer**

- MCL 41.76--pay over and account for the money, according to the order of the township board, or the authorized officers of the township.

### **Township Clerk**

- MCL 41.75 states " . . . the township board shall approve claims against the township and authorize payment of allowed claims. Accounts approved by the township board shall be filed and preserved by the township clerk. The payments authorized shall be paid by the treasurer, on the order of the township board, signed by the township clerk."

Following is the process required by the cited statutes.

The township clerk would accumulate the bills through out the month, prepare a list of bills and submit the list and the bills at the regular board meeting for the board's review and approval for payment. The clerk would then file the bills, properly canceled, in the clerk's records and then would prepare and sign an order to the treasurer for each bill allowed. The treasurer would then write the necessary checks.

A recommended alternative is the township clerk accumulates the bills through out the month, prepares checks (the check register is used as the list of bills), and submits the list and bills to the board for review and approval. The clerk then files the bills, properly canceled, in the clerk's records, signs the checks and forwards them to the treasurer for signature and distribution. The clerk's signature signifies signature on an order and the treasurer's signature signifies issuance of a check.

Some financial institutions will not enforce a counter signature on township checks. As long as the check is signed by one of the township officials who has signed the bank card, the check is honored. This disregards the statutory determination that the treasurer's signature is required to make a township warrant a check and can make it difficult for townships to maintain internal control. One solution is to continue to use the three-part warrant/check, with the blank warrants in the clerk's custody. The clerk or deputy clerk should continue to sign the three-part form as a warrant to issue a check. Therefore, the clerk's and deputy clerk's names may be removed from the bank signature card. This should ensure that only checks signed by the treasurer or deputy treasurer will be honored. With the blank warrants controlled by the clerk, there will still be internal control. Checks are never signed blank, and access to blank warrants should be controlled.

There is no statutory authority to replace the treasurer (or his/her deputy) in the check signing process. The clerk (or his/her deputy) must continue to sign the three-part form in some other area than the "check" portion.

## MINUTE TAKING

**Order of Business.** Robert's Rules of Order recommends that every board having a permanent existence adopt an order of business for its meetings. A recommended order is as follows:

- (1) Call to order and Pledge of Allegiance;
- (2) Roll Call;
- (3) Reading the Minutes of the previous meeting [and their approval];
- (4) Reports of Boards and Standing Committees;
- (5) Reports of Special (Select) Committees;
- (6) Unfinished Business (should include a list of issues);
- (7) New Business (should include a list of issues);
- (8) Citizen Comment (could be placed elsewhere in the order); and
- (9) Adjournment.



**Minutes of each meeting should include:**



- ✦ Date;
- ✦ Time;
- ✦ Place;
- ✦ Members present;
- ✦ Members absent;
- ✦ Signature of the Clerk
- ✦ Corrections and approval of previous meeting minutes;
- ✦ Summary (or attach) of reports of other boards and committees;
- ✦ Items discussed from agenda;
- ✦ any decisions made;
  - Motion made by, seconded by, result of vote;
- ✦ the purpose or purposes for which a closed session is held;
- ✦ all roll call votes taken at the meeting; and
  - Summary or listing of citizen comments.

### Statutory Requirement

#### Corrections in the minutes

- ☐ must be made no later than the next meeting after the meeting to which the minutes refer.
- ☐ corrected minutes must be available no later than the meeting after correction.
- ☐ The corrected minutes shall show both the original entry and the correction.

#### Minutes

- ☐ are public records open to public inspection
- ☐ must be available at the address designated on posted public notices
- ☐ copies must be available to the public at the reasonable estimated cost for printing and copying.
- ☐ Proposed minutes must be available for public inspection not more than 8 business days after the meeting to which the minutes refer.
- ☐ Approved minutes shall be available for public inspection not later than 5 business days after the meeting at which the minutes are approved